	OGET	E TTER	NUMBER:	02-25
SUBJECT: LA	TE PAYMENT PE	NALTY INTEREST RATES	DATE ISSUED:	September 4, 2002
REFERENCES:		CODE SECTIONS 926.19 AND 92 MINISTRATIVE MANUAL SECTIOI		BL 01-21

TO: Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) advises State departments of the current penalty rates and the penalty interest factors per day for late payment penalties. The Government Code (GC) requires different penalty rates for late payments of:

- A. Invoices from small businesses or nonprofit organizations for goods/services.
- B. Invoices from other businesses for goods/services.
- C. Other amounts due.

The California Prompt Payment Act (the act), GC Section 927 et seq., requires State departments to automatically calculate and pay the appropriate late payment penalties if they fail to pay properly submitted, undisputed invoices on the date required by the contract. The act applies to invoices for goods and/or services acquired by State departments.

The GC Section 926.19 requires State departments to pay interest on other types of undisputed payments such as refunds, unless otherwise provided for in statute. Interest is due 31 days after the department notifies the person or the person notifies the department of the payment.

The fiscal year 2002-03 rates are:	Penalty Interest Rate Per Annum	Penalty Interest Factor Per Day		
GC Section 927 et seq.				
A. Small businesses and nonprofit organizations (This rate <i>does not</i> change annually, GC 927.6a.)	91.25%	0.0025		
B. Other businesses (This rate changes annually, GC 927.6b.)	4.445%	0.0001218		
GC Section 926.19				
A. Undisputed payments (e.g., refunds) (This rate changes annually.)	2.445%	0.000067		

To arrive at the daily penalty, multiply the amount due by the applicable penalty interest factor per day, as shown. The daily penalty is then multiplied by the number of days the payment is late to calculate the total penalty amount.

For additional information, please refer to the State Administrative Manual Sections 8474 et seq. and the Department of Finance, Fiscal Systems and Consulting Unit (FSCU) website: http://www.dof.ca.gov/fisa/fscu/fscu FAQs.htm.

If you have questions regarding this BL, please contact the FSCU Hotline at (916) 324-0385, CALNET 454-0385, or e-mail FSCUHotline@dof.ca.gov.

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- Past, Current, and Budget Year Schedule 10s
- Change to General Statewide Sections
- Expenditure Authorization Controls
- Supplemental Language Report Requests